OMERS
retired member news

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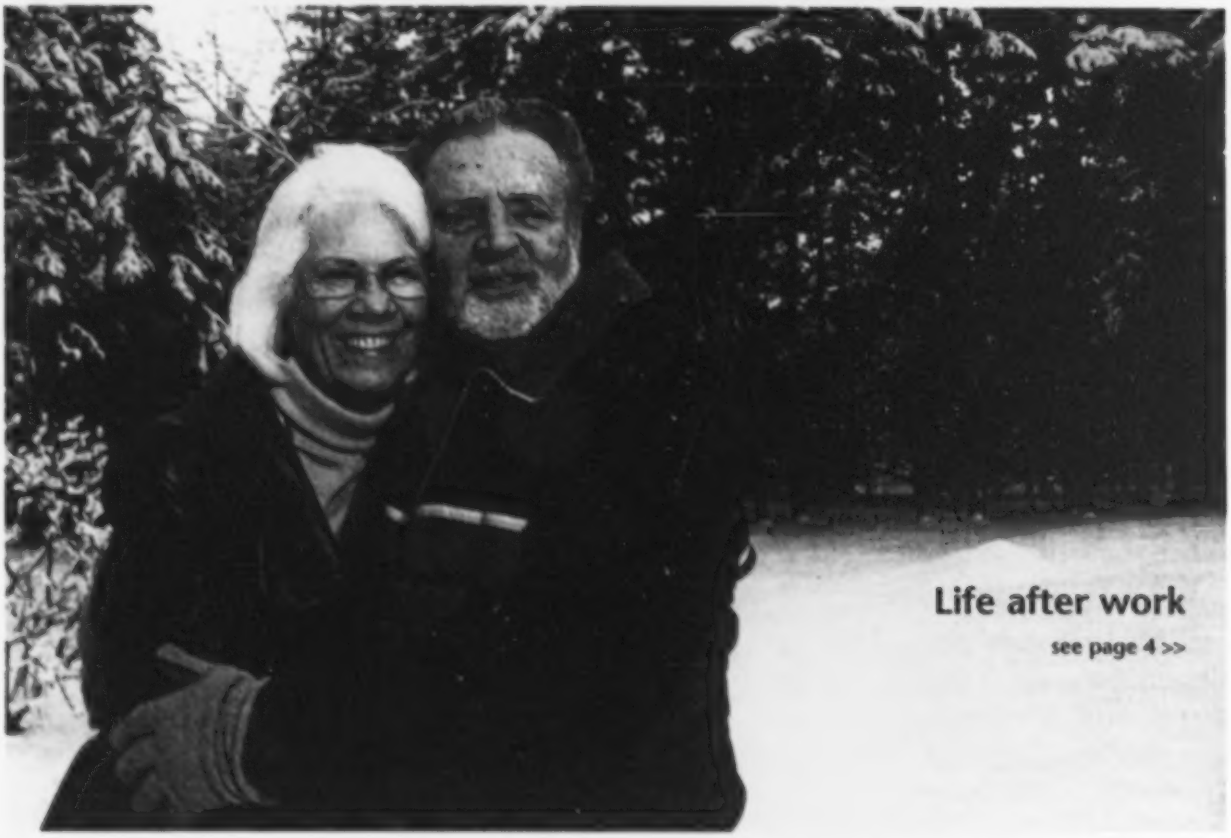


Life after work

see page 4 >>

OMERS pensions increase by 1.99% in 2008

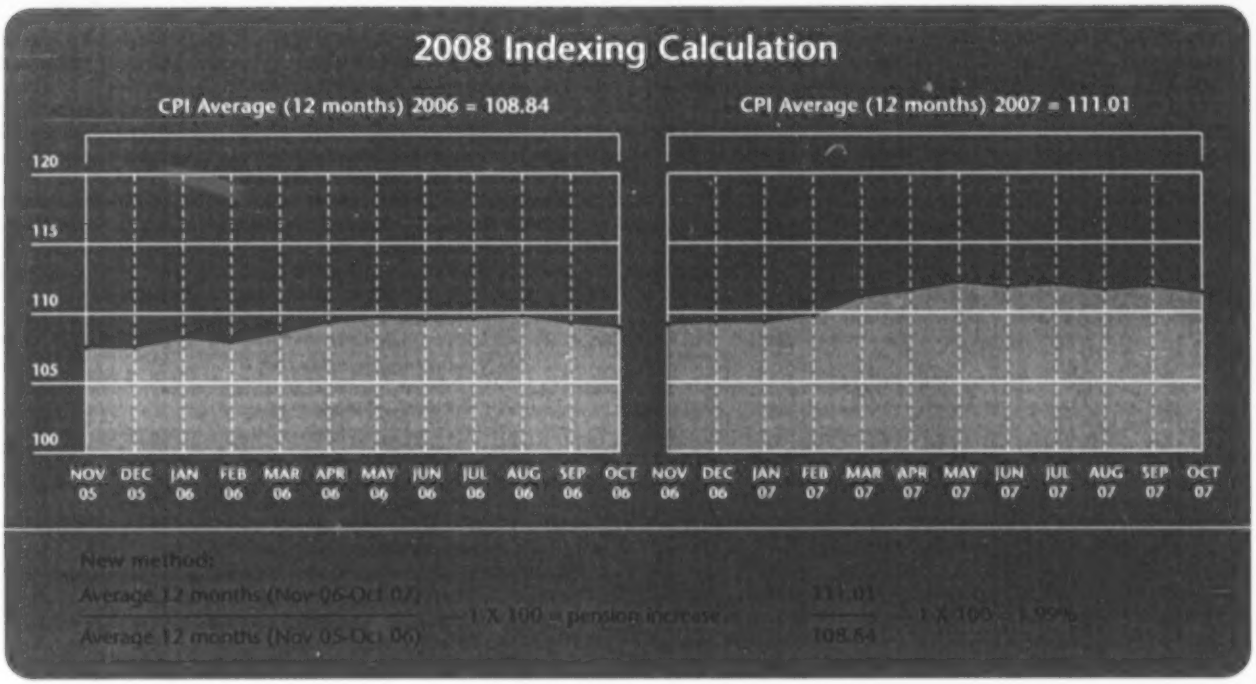
The *Annual Statement of Pension* you receive in mid-December details the increase you will receive. Each year, OMERS increases all pensions by 100% of the Canadian Consumer Price Index (CPI). The January 1, 2008 increase is 1.99%, which is the change in the CPI measured to October 2007. Inflation protection is a powerful feature of OMERS pensions – it helps retired members' income keep pace with rising prices.

Continued on page 2

OMERS retired member, Jim Doble and his wife, Joan

OMERS Plan for the Future

An OMERS pension is a guaranteed source of inflation-protected retirement income. *Retired Member News* keeps over 100,000 retired OMERS members and survivors up to date on plan news and benefits.



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New method in 2008

In the past, OMERS increased pensions by the September-over-September CPI increase (looking at the percentage change between these two points in time). This method provided 100% inflation protection over the long term, but in the short term it has led to some volatility in the annual increases.

Over the past two years, in particular, the amount of the increase ranged from 3.36% in 2006 to a much lower amount of 0.7% in 2007, which raised concerns amongst our retired members.

In a recent decision, which will be applied to the January 1, 2008 increase, OMERS Sponsors Corporation (SC) approved a different method that takes into account the monthly average of the CPI over a 12-month period ending in October. This figure will be compared to the average of the previous 12-month period, and OMERS will increase pensions by the percentage difference (see diagram).

This smoothed approach is intended to result in a more stable and less volatile annual increase; it also aligns with the way the Canada Pension Plan increases pensions. Many OMERS retired members who are also receiving CPP benefits will notice that increases to the two plans will now be more consistent.

Your 2008 increase

The *Annual statement of pension* you receive in mid-December lists the exact amount of your increase.

- **If your pension started before January 1, 2007,** you will receive the full increase of 1.99% in 2008.
- **If your pension started after December 1, 2006, but before December 1, 2007,** your 2008 increase is pro-rated.
- **If your pension started on or after December 1, 2007,** you won't receive an increase in 2008; you will receive the 2009 increase.

Want more information?

Please check our online "Retirees – Frequently asked questions" (FAQs) section at **www.omers.com.**

Important!

Your first pension payment in 2008 will be made **Wednesday, January 2,** as banks are closed January 1.

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Additional information:

Regarding the article in this issue communicating the annual increase and new inflation method:

If you have questions or comments about the new inflation method, please send them to:

client@omers.com or
OMERS
One University Ave., Suite 700
Toronto ON M5J 2P1

and to the
Superintendent of Financial Services
FSCO
5160 Yonge St.
Toronto ON M2N 6L9

Thank you
OMERS Client Services

Pension-income splitting – some fast facts

More details on this new tax feature for 2008

Pension-income splitting was introduced by the federal government in its 2007 budget. This new provision enables a higher-income spouse to allocate up to half of their income that qualifies for the pension-income tax credit to their lower-income spouse. This could, in many cases, lower the combined taxes for both spouses – especially if both incomes are far apart.

Since we first reported on pension-income splitting in *Retired Member News 38* (summer 2007), we've received quite a few questions from retired members. Here, we cover what you need to know.

- Pension splitting takes effect in the 2007 taxation year. The retired member and spouse don't have to do anything until they file their 2007 tax returns in 2008.
- To set up pension-income splitting, the retired member and spouse must complete a *Form T1032, Joint Election to Split Pension Income* (available in January 2008).
- There will be a new line on the 2007 income tax return for the retired member to deduct the pension amount allocated to their spouse, and one for the spouse to report the allocated pension amount.
- There are no specific age limitations, but there are strict criteria defining what types of pension income can be split for tax purposes. Your OMERS pension can be split for tax purposes (excluding any payments you may receive from the OMERS Retirement Compensation Arrangement [RCA]). Payments from government programs (CPP, OAS, etc.) cannot – although CPP has its own form of pension sharing.
- Talk to a tax expert before you try pension-income splitting – find out whether and by how much you may benefit.

Want more information?
See the Canada Revenue Agency's website at www.cra-arc.gc.ca.

This article is intended for the purpose of providing information only. It is not intended nor should it be construed as providing investment, financial planning or legal advice. OMERS is not providing an endorsement of any views that may appear in this article. Members' individual circumstances may differ and members should consult their own professional advisers when considering any particular investment or financial strategy.

Have a moment?

Complete our word search to find out the mystery phrase (13 letters long).

Can you find these words?

AGE
AMOUNT
ASSETS
CONTRIBUTE
COST
CPI
CPP
END
FINANCE
FUNDS
GOVERNMENT
INFLATION
INFRASTRUCTURE
INVESTMENT
MEMBER
OMERS
PAY
PENSION
PLANS
PRICES
PROTECTION
RATES
RETIRED
RETURNS
SECURITY
STATEMENT
SUM
VALUE
YEAR

H	C	N	O	I	T	C	E	T	O	R	P	A	P
P	O	Y	V	S	T	A	T	E	M	E	N	T	M
I	N	F	R	A	S	T	R	U	C	T	U	R	E
N	T	N	E	M	L	M	P	A	Y	I	S	T	M
V	R	O	T	O	R	U	S	H	G	R	E	S	B
E	I	I	U	U	A	S	E	O	S	E	C	O	E
S	B	S	R	N	E	L	I	D	I	D	I	C	R
T	U	N	N	T	Y	P	N	O	M	E	R	S	A
M	T	E	S	E	C	U	R	I	T	Y	P	N	T
E	E	P	D	D	F	I	N	A	N	C	E	A	E
N	A	Y	N	O	I	T	A	L	F	N	I	L	S
T	N	E	M	N	R	E	V	O	G	S	P	P	C

Answer: Happy Holidays

Retirement offers a world of possibilities

OMERS retiree volunteers for water projects in Africa

People's perceptions of retirement differ. For some, it's a time to slow the pace down a bit and enjoy a well-earned life after work. For others, such as Jim Doble, a project manager who retired after almost 35 years with the Toronto Board of Education, it's a chance to devote himself fully to his passions.

Jim and his wife Joan do volunteer work at home and overseas – currently in Uganda, building badly needed water networks that help communities survive.

How did you get started in volunteer work?
Curiosity and a desire to help out those in need. After we'd raised our children, my wife, Joan, and I began to do volunteer work with an aid agency. Through this agency, we started going overseas – first to Haiti, then Sudan, and now to Uganda.

What sort of work do you do?
I plan and supervise the on-site work, and Jan does the payroll for the local paid staff, as well as the record-keeping for the agency.

What does that involve?
In Uganda, for instance, there are communities that don't have water. The people have to trek kilometers, both ways, to fetch the water they need to survive. And, this water is often contaminated, making the people sick through disease and parasites. Our job is to dig trenches and install water pipes to help bring fresh, clean water to these communities.

How big are these projects?
The first one we worked on in Haiti was 30 metres long. The latest one we completed in Uganda is about 83 kilometres in length, with 205 taps. It replaces contaminated water that is 8 kilometres away with fresh water that is within 100 metres of everyone in the community.

How long does this work take you away from home?
I made my first trip to Uganda while I was still working. I took a three-month vacation/leave period to help build a trade school and my first water project. Now, we usually make two, six-week trips each year – it's a commitment that we gladly make. Volunteer work for us is rewarding and fulfilling, and my OMERS pension enables us to do it.

What do you mean?
OMERS has been so good to us. Joan and I can go to Africa, come back, and we have more money in the bank than when we started out – even after our expenses! Joan jokes that it's almost like I'm still working for the School Board – the pay continues to come in. My OMERS pension gives us the freedom to live life the way we want, which is to help others.

What advice do you have for other OMERS retirees?
Get involved in something! Try volunteer work – through your church, local food bank or a relief organization. You don't need qualifications or experience; you learn by doing, and aid agencies appreciate the help and skills that everyone has to give. Joan puts it better than I do. She simply says "Life is worth living when you're helping someone else."

Any final thoughts?
Regardless of what you do in retirement, don't forget that an OMERS pension can help you to maintain your independence longer.

OMERS recommends pension changes to the Ontario Expert Commission on Pensions

OMERS President and CEO, Michael Nobrega, appeared before the Ontario Expert Commission on Pensions to present OMERS submission, *Closing the Gap Between Pension Regulation and Best Practices*. This is a joint submission of the OMERS Administration Corporation and the OMERS Sponsors Corporation.

"At OMERS, our commitment is to optimize investment returns without incurring undue risks, thereby delivering pension benefits at affordable costs to our current and future retirees," Mr. Nobrega said. "In pursuit of this goal, we have several suggestions for regulatory reform. We believe these reforms are not controversial and will strengthen the pension system in Ontario."

OMERS recommendations
OMERS is a leading example of a successful multi-employer defined benefit pension plan. The success of the plan stems from its unique structure of being jointly funded, jointly governed and jointly sponsored by the employers and members who contribute to the plan. The OMERS model (and its 40 years of experience) could serve as a template for solutions to many of the issues the Commission is considering.

OMERS is making four recommendations:

	Recommendation	Reason
1	Amend the *Pension Benefits Act* to consist of the fundamental principles applicable to all pension plans in Ontario.	A principle-based approach to legislation is more flexible and enables regulation to evolve in step with industry best practices.
2	Exempt public sector, jointly sponsored plans from the quantitative restrictions on pension fund investing.	Rules are outdated and impose complexities and costs that ultimately reduce investment returns.
3	Exempt public sector, jointly sponsored plans from the solvency funding requirement.	Contribution rates and taxes will not need to increase to fund a wind-up scenario with negligible probability.
4	Enhance the regulatory relationship by moving to a more co-operative model and providing the regulator with additional tools and resources.	A consultative approach will result in more proactive oversight and enable plan administrators to act with greater certainty to the benefit of their members.

For more information, see the "OMERS Updates" section on our homepage at www.omers.com.

Spotlight on: Borealis Infrastructure

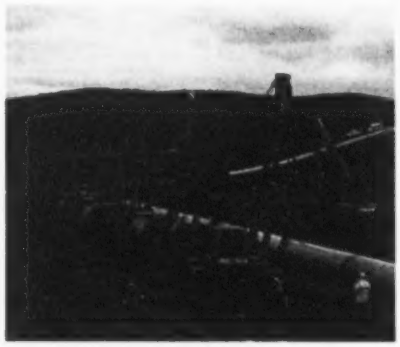
OMERS *Retired Member News* recently met with Sebastien Sherman, Vice President, Borealis Infrastructure to learn more about this OMERS investment division.

What is infrastructure?
Infrastructure is all around us. It's the services and facilities that support daily economic activity – examples include public transportation networks and energy transportation networks.

Why does OMERS invest in it?
Historically, virtually all infrastructure assets were owned by governments. In the past 20 years, there has been a substantive shift to involving the private sector in financing, developing and operating infrastructure facilities. The decision by OMERS to invest in infrastructure assets is based on an analysis which concluded infrastructure investments can provide OMERS with stable, long-term investment returns.

Describe an infrastructure investment
It's like buying a home. You determine your needs, pick a location, shop around, find a potential purchase, do a complete assessment, pre-arrange financing, and then negotiate with the seller – sometimes competing against multiple buyers.

It's not exactly this simple because it's what's involved in each step that takes time, effort and expertise.



Installation of a natural gas pipeline in the service territory of Scotia Gas Networks

Walk us through a typical investment process
Some of the best investment opportunities involve price-regulated, low-risk business monopolies. One such example is our investment in Scotia Gas Networks (SGN) which owns natural gas distribution networks in the UK. In 2003, Borealis began to analyze the UK gas-distribution industry when we became aware that National Grid was contemplating a partial sale of its operations. Our research indicated this would be an excellent investment at the right price, and we began to look for the right co-investors.

Why do you want co-investors?
Although we want sufficient ownership to influence how the company is run, we also want to manage our risk by investing with like-minded organizations. Co-investors can enhance the value of investments by contributing intellectual capital and expertise, and that is one of the reasons co-investors partner with Borealis. For this investment, we entered into an agreement with the Ontario Teachers' Pension Plan and Scottish and Southern Energy.

Sebastien Sherman, Vice President, Borealis Infrastructure

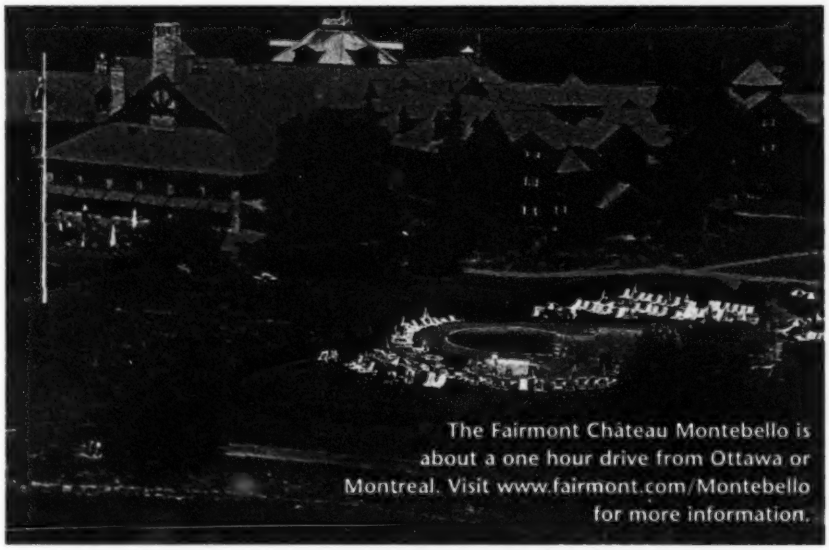
You've found co-investors, then what?
First, based on a recommendation and presentation from Borealis, OMERS decides what it's willing to pay. This decision is based on a rigorous assessment of the potential risks and investment returns. This analysis is often done while Borealis negotiates with its co-investors and the vendor. Then, there is the initial transition period followed by the long-term management and growth of the business.

How do you manage your investment afterwards?
Very actively, by establishing and supporting the company's management and making sure they have the best people to run things. Owning a 25% stake gives us significant influence on the affairs of the company. The access to timely information and oversight of management exceeds what a pension fund would typically have access to when it owns a small percentage of a public company.

What's next?
Borealis continues to analyze different industries in Canada and around the world looking for the right investments for OMERS.

Borealis Infrastructure identifies, invests in and manages infrastructure assets on behalf of OMERS. Infrastructure investments – especially in government-regulated sectors typically generate consistent annual cash flows, making them a perfect fit in meeting OMERS long-term pension obligations.

Fairmont Hotels and Resorts: 10% discount for OMERS retirees



The Fairmont Château Montebello is about a one hour drive from Ottawa or Montreal. Visit www.fairmont.com/Montebello for more information.

In 2006, OMERS, through its real estate investment arm Oxford Properties, acquired seven landmark hotels from Fairmont Hotels and Resorts. The seven properties are:

- The Fairmont Banff Springs
- The Fairmont Chateau Lake Louise
- The Fairmont Chateau Whistler
- The Fairmont Jasper Park Lodge
- The Fairmont Vancouver Airport
- Fairmont Le Château Montebello
- Fairmont Kenauk at Le Château Montebello.

From time to time, Fairmont offers special programs to encourage Canadian groups to have an opportunity to enjoy a uniquely Canadian experience. To acknowledge OMERS ownership of these assets and to respond to interest expressed by various stakeholders of OMERS, Fairmont has structured a special program to provide 10% off the best available rate to OMERS members and retirees.

Each hotel offers something special for its guests, whether hiking in the Rockies at The Fairmont Chateau Lake Louise, taking a sleigh ride at The Fairmont Chateau Whistler or swimming in Canada's largest indoor pool at Fairmont Le Château Montebello.

To book your stay at one of our hotels with the 10% discount (subject to room availability and all applicable taxes), visit www.fairmont.com/omers or call 1-888-370-4141.

INFORMATION CHANGE FORM

Please let us know if you change...

Your address

New address: _____ Effective date: _____ (D M Y)

_____ New phone #: _____

Note: *If your OMERS pension is directly deposited, you can phone your address change to us at 1-800-387-0813.*

Your banking (or attach a void cheque) _____ New bank: _____

Transit #: _____ Account #: _____

Your monthly tax deduction

Please indicate the **new total amount of additional tax** you would like deducted from your monthly OMERS pension payment: **$** _____

Note: *This amount will replace any additional amount of tax you've previously asked us to deduct.*

Please complete and sign

Name: _____ Date of birth: _____ (D M Y)

OMERS reference number: _____ E-mail address: _____

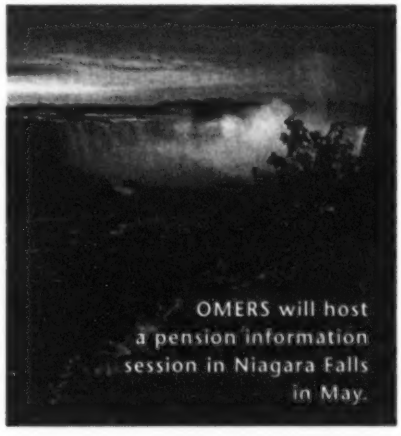
Signature: _____ Date: _____

Personal information is collected for pension administration purposes by OMERS under the authority of section 35 of the OMERS Act, 2006. *OMERS does not share your personal information with any other person for any purpose other than pension plan administration. Any questions regarding the collection of personal information should be directed to OMERS Client Services at 1-800-387-0813.*

OMERS pension information sessions

Learn about your OMERS pension at one of our information sessions. For more information, and to register, visit us online at **www.omers.com**. (All sessions run from 2:00 to 3:30 p.m.)

Date	Location	Date	Location
March 26	**Lindsay**	May 28	**Brampton**
May 14	**Sudbury**	June 11	**New Liskeard**
May 21	**Niagara Falls**	June 25	**Orangeville**
May 21	**Toronto East**		



OMERS will host a pension information session in Niagara Falls in May.

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While the information in this newsletter is accurate at the time of publication, the *OMERS Act 2006* and *Plan text* are the governing sources for all plan provisions.